

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

PINCONNING-FRASER FIRE DEPARTMENT

Bay County, Michigan

FINANCIAL STATEMENTS

March 31, 2007

PINCONNING-FRASER FIRE DEPARTMENT

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Assets.....	3
Statement of Governmental Revenues, Expenditures and Changes in Fund Balances/Statement of Activities.....	4
Notes To Financial Statements.....	6
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – Operating Fund.....	12
OTHER SUPPLEMENTAL INFORMATION	
Detailed Schedule of Revenues.....	14
Detailed Schedule of Expenditures.....	15
Schedule of Indebtedness	16

BERTHIAUME
& COMPANY

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48638

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

Members of the Board
Pinconning-Fraser Fire Department

We have audited the accompanying financial statements of the governmental activities and the major fund of the Pinconning-Fraser Fire Department (the Fire Department) as of and for the year ended March 31, 2007, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Pinconning-Fraser Fire Department as of March 31, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

August 8, 2007

BASIC FINANCIAL STATEMENTS

PINCONNING-FRASER FIRE DEPARTMENT

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

March 31, 2007

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 1)</u></i>	<i><u>Statement of Net Assets</u></i>
Assets:			
Cash and cash equivalents	\$ 45,093	\$ -	\$ 45,093
Capital assets:			
Depreciable capital assets, net	<u>-</u>	<u>505,560</u>	<u>505,560</u>
Total assets	<u><u>\$ 45,093</u></u>	<u><u>505,560</u></u>	<u><u>550,653</u></u>
Liabilities and Fund Balance:			
<i>Liabilities:</i>			
Accounts payable	\$ 815	-	815
Long-term debt:			
Due within one year	-	19,290	19,290
Due in more than one year	<u>-</u>	<u>43,451</u>	<u>43,451</u>
Total liabilities	<u>815</u>	<u>62,741</u>	<u>63,556</u>
<i>Fund Balance:</i>			
Unreserved	<u>44,278</u>	<u>(44,278)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 45,093</u></u>		
Net Assets:			
Invested in capital assets, net of related debt		442,819	442,819
Unrestricted		<u>44,278</u>	<u>44,278</u>
Total net assets		<u><u>\$ 487,097</u></u>	<u><u>\$ 487,097</u></u>

The accompanying notes are an integral part of these financial statements.

PINCONNING-FRASER FIRE DEPARTMENT

STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 1)</u></i>	<i><u>Statement of Activities</u></i>
Revenues:			
Contributions from participating units	\$ 123,170	\$ -	\$ 123,170
Federal grants	97,683	-	97,683
State grants	6,203	-	6,203
Charges for services	699	-	699
Interest and rents	2,985	-	2,985
Other revenue	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total revenues	<u>231,740</u>	<u>-</u>	<u>231,740</u>
Expenditures/Expenses:			
Operations	96,582	45,527	142,109
Capital outlay	173,954	(167,695)	6,259
Debt service	<u>22,000</u>	<u>(17,295)</u>	<u>4,705</u>
Total expenditures/expenses	<u>292,536</u>	<u>(139,463)</u>	<u>153,073</u>
Excess (deficiency) of revenues over expenditures	(60,796)	139,463	78,667
Other financing sources:			
Proceeds from bank	<u>80,036</u>	<u>(80,036)</u>	<u>-</u>
Total other financing sources	<u>80,036</u>	<u>(80,036)</u>	<u>-</u>
Net change in fund balance/net assets	19,240	59,427	78,667
Fund balance/Net assets, beginning of year	<u>25,038</u>	<u>383,392</u>	<u>408,430</u>
Fund balance/Net assets, end of year	<u>\$ 44,278</u>	<u>\$ 522,855</u>	<u>\$ 487,097</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

PINCONNING-FRASER FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pinconning-Fraser Fire Department (the Department) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Fire Department. The Fire Department is required to consider other organizations for which the nature and significance of their relationship with it are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Fire Department's reporting entity. Additionally, the Fire Department is not a component unit of any other reporting entity.

The Pinconning-Fraser Fire Department operates under a joint service agreement created by the City of Pinconning and the Townships of Fraser and Pinconning. The agreement was created in 1993 in order to maintain and operate a joint fire department for the purpose of providing and furnishing fire protection within the geographical boundaries. The Fire Department is governed by an appointed Administrative Board with each unit of government appointing two members to the Board whose terms shall be six years.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information of all activities of the Fire Department. The Pinconning-Fraser Fire Department is accounted for in one governmental type fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

PINCONNING-FRASER FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2007

Assets, Liabilities and Equity:

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are reported at fair value.

Receivables – All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial at year end.

Capital Assets – Purchased capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Fire Department defines capital assets as assets with an initial individual cost in excess of \$5,000 if acquired prior to April 1, 2004 and \$1,000 if acquired after April 1, 2004 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	10-15 years
Vehicles (fire trucks)	8-30 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, these items are recorded as expenditures when paid.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The budget shall be prepared on a basis consistent with the modified accrual basis of accounting which is used to reflect actual results. The Operating Fund is under formal budgetary control. Unexpended appropriations lapse at year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Fire Department did not incur expenditures that were in excess of the amounts budgeted.

PINCONNING-FRASER FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2007

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned. The Fire Department does not have a deposit policy for custodial credit risk. At year-end, the Fire Department had \$123,139 of bank deposits, of which \$100,000 was covered by federal depository insurance. At year end, the Fire Department had no investments.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<i>April 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2007</i>
Depreciable capital assets				
Equipment	\$ 186,496	\$ 111,448	\$ -	\$ 297,944
Vehicles	435,387	56,247	-	491,634
Total depreciable capital assets	621,883	167,695	-	789,578
Accumulated depreciation	(238,491)	(45,527)	-	(284,018)
Governmental activities, capital assets, net	<u>\$ 383,392</u>	<u>\$ 122,168</u>	<u>\$ -</u>	<u>\$ 505,560</u>

PINCONNING-FRASER FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2007

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the Fire Department had no deferred revenue.

NOTE 6: LONG-TERM LIABILITIES

The Fire Department had the following long-term liabilities outstanding at March 31, 2007.

	<u>April 1,</u> <u>2006</u>	<u>Additions</u>	<u>Payments</u>	<u>March 31,</u> <u>2007</u>
2006 Fire Truck Installment Purchase Contract				
Loan payable in 48 monthly				
installments of \$1,822, on the 22nd				
day of the month at an interest				
rate of 4.49%.	\$ -	\$ 80,036	\$ (17,295)	\$ 62,741

NOTE 7: FUNDING

The Fire Department is financed each year by the participating municipalities. This funding represents approximately 54% of total revenues for the year ending March 31, 2007. Consequently, the Fire Department's ability to provide services is dependent upon the continuing support of those municipalities.

NOTE 8: RISK MANAGEMENT

The Fire Department is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Fire Department carries commercial insurance for liability and property loss.

The Fire Department manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The Fire Department pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

PINCONNING-FRASER FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2007

NOTE 9: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

Following is the explanation of differences between the fund (modified accrual) balance sheet and the government-wide statement of net assets.

Total fund balance for governmental fund	\$ 44,278
---	------------------

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	789,578	
Less accumulated depreciation	<u>(284,018)</u>	505,560

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(62,741)</u>
---	-----------------

Net assets of governmental activities	<u>\$ 487,097</u>
--	--------------------------

Following is the explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

Net change in fund balance - governmental fund	\$ 19,240
---	------------------

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	167,695	
Less depreciation expense	<u>(45,527)</u>	122,168

Proceeds from installment purchase agreements are an other financing source in the funds, but proceeds increase long-term liabilities in the statement of net assets.	<u>(80,036)</u>
---	-----------------

Repayments of principal on installment purchase agreements are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net assets.	<u>17,295</u>
--	---------------

Change in net assets of governmental activities	<u>\$ 78,667</u>
--	-------------------------

REQUIRED SUPPLEMENTAL INFORMATION

PINCONNING-FRASER FIRE DEPARTMENT

OPERATING FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Contributions from participating units	\$ 164,160	\$ 133,841	\$ 123,170	\$ (10,671)
Federal grants	-	97,683	97,683	-
State grants	-	6,203	6,203	-
Charges for services	-	-	699	699
Interest and rents	100	100	2,985	2,885
Other revenue	-	-	1,000	1,000
Total revenues	<u>164,260</u>	<u>237,827</u>	<u>231,740</u>	<u>(6,087)</u>
Expenditures:				
Operations	117,250	117,250	96,582	(20,668)
Capital outlay	23,010	180,255	173,954	(6,301)
Debt service	<u>24,000</u>	<u>24,000</u>	<u>22,000</u>	<u>(2,000)</u>
Total expenditures	<u>164,260</u>	<u>321,505</u>	<u>292,536</u>	<u>(28,969)</u>
Excess (deficiency) of revenues over expenditures	-	(83,678)	(60,796)	22,882
Other financing sources:				
Proceeds from bank	-	80,036	80,036	-
Total other financing sources	<u>-</u>	<u>80,036</u>	<u>80,036</u>	<u>-</u>
Net change in fund balance	-	(3,642)	19,240	22,882
Fund balance, beginning of year	<u>25,038</u>	<u>25,038</u>	<u>25,038</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,038</u>	<u>\$ 21,396</u>	<u>\$ 44,278</u>	<u>\$ 22,882</u>

OTHER SUPPLEMENTAL INFORMATION

PINCONNING-FRASER FIRE DEPARTMENT

OPERATING FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2007

Revenues:

Contribution from participating units:

Operations	\$ 91,800
Fire runs	20,680
Small equipment	5,010
Capital purchases	5,680
	<u>123,170</u>

Federal Grants:

FEMA	<u>97,683</u>
------	---------------

State Grants:

DNR	<u>6,203</u>
-----	--------------

Charges for services:

Fire reports and other	<u>699</u>
------------------------	------------

Interest and rents:

Interest	<u>2,985</u>
----------	--------------

Other Revenue:

Contributions	<u>1,000</u>
---------------	--------------

Total revenues	<u>231,740</u>
----------------	----------------

Other Financing Sources:

Proceeds from bank	<u>80,036</u>
--------------------	---------------

Total revenues and other financing sources	<u><u>\$ 311,776</u></u>
--	--------------------------

PINCONNING-FRASER FIRE DEPARTMENT

OPERATING FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2007

Public Safety:

Administrative:

Personnel	\$ 12,267
Fringe benefits	938
	<u>13,205</u>

Fire:

Personnel	22,542
Fringe benefits	10,053
Supplies	10,155
Contracted services	1,325
Telephone	1,894
Mileage	394
Dues and memberships	337
Education and training	4,780
Insurance	9,720
Utilities	12,029
Repairs and maintenance	10,084
Other	64
	<u>83,377</u>

Capital Outlay:

Public safety	<u>173,954</u>
---------------	----------------

Debt Service:

Principal and interest	<u>22,000</u>
Total expenditures	<u>\$ 292,536</u>

PINCONNING-FRASER FIRE DEPARTMENT

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

Year Ended March 31, 2007

2006 CHEMICAL BANK NOTE

Issue dated May 22, 2006 in the amount of	\$	80,036
Less: Principal paid in prior years		-
Principal paid in current year		<u>(17,295)</u>
Balance payable at March 31, 2007	\$	<u>62,741</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i>	<i>Interest due</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2008	4.49%	\$ 19,290	\$ 2,579	\$ 21,869
2009	4.49%	20,174	1,695	21,869
2010	4.49%	<u>23,277</u>	<u>281</u>	<u>23,558</u>
		<u>\$ 62,741</u>	<u>\$ 4,555</u>	<u>\$ 67,296</u>